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IN THE

Supreme Court of the United States

OCTOBER TERM, 1962

No. 438

UNITED STATES OF AMERICA,
Plaintiff-Appellant,

v.

THE SINGER MANUFACTURING COMPANY,
Defendant-Appellee.

MOTION OF THE SINGER MANUFACTURING COMPANY, DEFENDANT-APPELLEE, TO AFFIRM THE JUDGMENT OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK.

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INDEX

	PAGE
Pendency of Tariff Commission Proceeding	1
The questions presented by the Government are not substantial. While the Government asserts that its questions are based on "undisputed" pertinent facts, the questions, without exception, are predicated upon facts squarely in conflict with the trial court's findings of fact and present for review substantially all of the trial court's findings and all of the underlying facts upon which they were based. Upon the basis of the facts as they exist and as found by the trial court no issue of law exists	3
Statement of Facts Set Forth in Appendix A	6
Question 1 is Unsubstantial	7
Question 2 is Unsubstantial	20
Question 3 is Unsubstantial	30
Conclusion	44
Appendix:	
A—Facts	1a
Conception, Invention and Development of Singer 401 Machine	1a
Conception, Invention and Development by Singer of Other Zigzag Machines	2a
Singer-Vigorelli License Agreement	3a
Singer-Gegauf License Agreement	5a
Singer-Gegauf Assignment	8a
Actions and proceedings brought by Singer have been directed to the stopping of the sale of machines infringing Gegauf Patent No. 1	17a

PAGE

B—Colloquies Between Government Counsel and the Trial Court in which Government Counsel Stated that the Alleged Conspiracy Related Solely to the Exclusion of Japanese Machines and that the Exclusion of European Importations was Not Part of Such Conspiracy 19a

C—Various types of Multiple-Cam Mechanisms Which Do not Infringe Gegauf Patent No. 1 and Examples of Machines Incorporating such non-Infringing Multiple-Cam Mechanisms 24a

D—Singer-Gegauf License Agreement 32a

E—Chart setting forth relevant provisions of the Singer-Vigorelli, Singer-Gegauf and Singer-Messerschmitt license agreements 37a

Citations

Cases

Great Northern Railway Company v. *Delmar Company*, 283 U. S. 686 (1931) 36

United States v. *Real Estate Boards*, 339 U. S. 485 (1950) 19

United States v. *Yellow Cab Company*, 338 U. S. 338 (1949) 6, 19-20

Statutes

Sherman Act:

Section 1, 15 U.S.C. §1, 26 Stat. 209 (1890) 4, 8

Section 2, 15 U.S.C. §2, 26 Stat. 209 (1890) 8

19 U.S.C. §1337, 46 Stat. 703 (1930) 2

Miscellaneous

17 C.J.S. *Contracts* §318 (1939) 36

3 Corbin, *Contracts* §546 (1960) 36

4 Williston, *Contracts* §620 (3d ed. 1961) 36

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UNITED STATES OF AMERICA,
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MOTION TO AFFIRM

Defendant-Appellee ("Singer"), pursuant to Rule 16 of the Revised Rules of the Supreme Court of the United States, moves that the judgment of the United States District Court for the Southern District of New York, entered in this suit as of May 11, 1962, be affirmed on the ground that it is manifest that the questions set forth in the Government's Jurisdictional Statement are so unsubstantial as not to need further argument.

Pendency of Tariff Commission Proceeding

We are impelled to make this motion because the pendency of this action is doing the defendant irrevocable injury every day it remains undecided. We believe this to be a significant fact which may affect this Court's deter-

nination as to whether this appeal should be summarily decided.

On January 15, 1959 Singer filed a complaint before the United States Tariff Commission which alleged that certain sewing machine manufacturers and distributors were engaging in unfair competition against Singer, under the circumstances set forth in such complaint, by selling machines infringing Singer's Gegauf Patent No. 1. The complaint prayed that the Tariff Commission recommend to the President of the United States that sewing machines infringing Gegauf Patent No. 1 be excluded from entry into the United States (Op. 69a; Dx. S-11, R. 2479-2501).[1]

Singer's sole basis for such relief is that the unfair methods of competition referred to have the effect or tendency "to destroy or substantially injure an industry, efficiently and economically operated in the United States" (19 U.S.C. §1337). The Commission had completed its investigation and was preparing to render its decision when this action was commenced (Dx. 54, R. 5283). Upon the commencement of this action the Tariff Commission stayed all further proceedings to await the outcome of this action (Op. 69a). After judgment was entered herein by the District Court the Commission denied Singer's request that it proceed, declining to take further

[1] The following abbreviations are used in this motion:

Def. App. —Defendant's Appendix to this motion.
Dx. —Defendant's Exhibit.
Gx. —Government's Exhibit.
J.S. —Government's Jurisdictional Statement.
Op. —The opinion of the trial court printed as an Appendix to the Government's Jurisdictional Statement.
R. —Record on Appeal.

action until the decision in this suit has become final. In the meantime the unfair competition continues and the life of Gegauf Patent No. 1 is diminished with each passing day.

We believe that in defendant's position, this motion should be made although to demonstrate that each of the questions presented by the Government is unsubstantial requires more extensive presentation of facts and argument, and thus a longer motion than is normally considered desirable.

The questions presented by the Government are not substantial. While the Government asserts that its questions are based on "undisputed" pertinent facts, the questions, without exception, are predicated upon facts squarely in conflict with the trial court's findings of fact and present for review substantially all of the trial court's findings and all of the underlying facts upon which they were based. Upon the basis of the facts as they exist and as found by the trial court no issue of law exists.

The Government presents three questions (J.S. 2-3). Without exception each question is predicated upon a state of facts squarely in conflict with the facts found by the trial court. If the facts found by the trial court were substituted for those relied on by the Government there would not in any instance be an arguable question. Not only in the questions it presents, but throughout its Jurisdictional Statement, the Government sets forth as facts matters which were sharply disputed by the defendant and which are directly contrary to testimony and other evidence and contrary to facts found by the trial court. Thus the Government, although purportedly accepting

the facts found by the trial court (J.S. 4, 19, 20, 21), in fact seeks a plenary review by this Court of substantially all facts found against the Government by the trial court.[2]

This case involved, and now involves, no question of law of substance, much less any important principle. It was determined and must be determined solely upon facts. With two exceptions only, there is not a principle of law set forth in the Government's Jurisdictional Statement on which the trial court ruled contrary to the Government's contention with respect thereto.[3] The Government's contention with respect to the two principles of law it erroneously asserts were lost on the facts before the principles were reached. The trouble with the Government's principles of law is that they have no application to the facts as they exist and as they were found by the trial court.

Inasmuch as the Government is seeking a reversal of findings of fact made by the trial court, we wish to point out that the judge who tried this case was responsible for all pre-trial motions and other matters and held 16 pre-trial hearings (R. 3267; Op. 1a), this without reference to pre-trial hearings held subsequent to February 17, 1961, the date of the order reflecting such 16 pre-trial hearings. The trial was held on 22 days. The trial

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[2] By footnote 20 (J.S. 24) the Government does ultimately concede that it is challenging one finding of fact.

[3] The Government erroneously asserts that (1) the relevant market has no application in an attempt to monopolize charge (J.S. 22) and (2) all agreements between competing manufacturers to preclude a contest in pending and future proceedings before the Patent Office violate the patent laws and Section 1 of the Sherman Act (J.S. 25).

hearings cover 2,328 pages of the Record and 412 exhibits were introduced in evidence. Almost all documentary exhibits were introduced at the beginning of the trial and counsel for the respective parties argued the meaning and significance of each such exhibit for nine days. Each such exhibit had previously been marked in red and blue by the respective counsel to show the portions thereof which they deemed significant. No facet of any such exhibit, no possible meaning and no possible significance was left unstated, at least to the limit of counsel's ability to conceive of them. Approximately 1,000 pages of the transcript of the hearing covered discussion and argument relating to such written documents (R. 181-1013a) and thereafter testimony was received at the trial to resolve ambiguities in documents.

The defendant called 12 witnesses, including the head of Singer's Patent Department and its principal negotiator at the various conferences with Gegauf and Vigorelli (Stanford, R. 1022-1032). The Government did not permit a witness to leave the witness stand without being cross-examined. The Government called 4 witnesses.

The trial court had the benefit of proposed findings of fact, both from the Government and from the defendant, which covered every fact with respect to which there could have been any possible dispute between the parties, not to mention facts as to which there was no dispute (R. 5803-5976; R. 6114-6193). These proposed findings were detailed and contained specific references to evidence supporting the proposed findings. They covered in the case of the defendant alone 153 legalcap pages encompassing 322 proposed findings.

We doubt that there has been a case where a trial judge gave more careful consideration to all of the evi-

dence in a case, including all of the written exhibits, than was given in this case. Yet the Government here asks this Court to reverse almost all findings of fact of an experienced and able trial judge which are contrary to the Government's contentions. The following statement of this Court is as applicable to the Government's appeal in this case as it was to the Government's appeal in *United States* v. *Yellow Cab Company*, 338 U. S. 338, 340, 341 (1949):

> "What the Government asks, in effect, is that we try the case *de novo* on the record, reject nearly all of the findings of the trial court, and substitute contrary findings of our own.
>
> * * * * * * *
>
> "* * * The judgment below is supported by an opinion, prepared with obvious care, which analyzes the evidence and shows the reasons for the findings. To us it appears to represent the considered judgment of an able trial judge, after patient hearing, that the Government's evidence fell short of its allegations—a not uncommon form of litigation casualty, from which the Government is no more immune than others."

Statement of Facts Set Forth in Appendix A

The Government has attempted to draw a picture of the attitude, motive, purpose and intent of Singer and Gegauf by use of quotations of isolated sentences, half-sentences and words from various bits and pieces of evidence and the trial court's findings, out of context and without reference to the surrounding circumstances or other evidence. From these the Government wishes this Court to draw inferences as to the attitude, motive, purpose and intent of Singer and Gegauf with respect to

actions and activities occurring over a period of approximately three years, which are at variance with and contradictory to the facts as they exist and the findings of fact made by the trial court. The true picture of the attitude, motive, purpose and intent of parties engaged in business transactions over a period of years is not established by such heavy-handed technique. We accordingly set forth a statement of the facts in Appendix A hereto, pages 1a to 18a, a reading of which we believe will demonstrate the magnitude of the factual review sought and the full extent to which the Government seeks a reversal of findings of fact made by the trial court and, at the same time, will be helpful to a clearer understanding of matters set forth in our discussion of the three questions presented by the Government.

Question 1 is Unsubstantial.

The first question presented by the Government (J. S. 2) as amplified, explained and argued in its Jurisdictional Statement is predicated upon the existence of a contract, combination or conspiracy between Gegauf and Singer to have Gegauf transfer to Singer certain patents relating to a sewing machine multiple cant mechanism for the purpose of using such patents, in conjunction with Singer's three patents, to exclude Japanese and other imported sewing machines containing a mechanism of the type covered by such patents.

The Government in this first question asks whether Singer and Gegauf *by combining* in defendant's hands *patents of a certain type* of sewing machine, for the purpose of excluding from the United States Japanese and *other imported* sewing machines *of that type more effec-*

tively than either party could by independent action, violated Sections 1 and 2 of the Sherman Act.

Every vital fact assumption contained in the question is contrary to the facts as they exist and as they were found by the trial court:

(1) There was no "combination" or "combining" other than results from the purchase and sale of a patent application. The trial court found that the Singer-Gegauf license agreement and the Singer-Gegauf assignment agreement constituted the entire agreement and understanding between the parties and that, other than as set forth therein, no agreement was made or understanding reached by the parties with respect to the licensing, enforcing or use of their patents (Op. 39a, 52a).

(2) The Government's question makes the factual assumption that Singer and Gegauf, by "combining" certain patents in Singer's hands, sought an additional exclusory power from an aggregation of the patents issuing on Gegauf's United States applications and the three Singer patents, *i.e.*, the issued Harris re-issue and Perla patents and such patent as might issue on Singer's then pending Johnson application. Singer's objective, however, was not, as stated by the Government (J.S. 7) to enforce, "both its own and Gegauf's, patents when issued". Singer's sole objective was to enforce Gegauf Patent No. 1 against machines embodying the basic feature of the Singer 401 zig-zag mechanism, which would be covered by and only by Gegauf Patent No. 1 (Op. 10a, 52a, 54a, 73a; Stanford, R. 1263 1265). Singer's objective was not to enforce Gegauf Patent No. 2 and it has brought no action under such patent (Op. 55a; Stipulation of Facts, Par. 85, R. 2413). Singer acquired the application upon which such patent ulti-

mately issued for reasons wholly unrelated to enforcement thereof. The facts as to such acquisition are fully covered in the opinion of the trial court (Op. 55a).

It was Gegauf Patent No. 1 and its power of exclusion that was wanted by Singer, not power of exclusion over and above it. Singer did not have and could not have had any desire to have the power of exclusion of its own three patents added to the power of exclusion of the Gegauf patents. The simple reason for this is that the power of exclusion of Singer's three patents would add practically nothing to the power of exclusion of such Gegauf patents, Gegauf Patent No. 1 and Gegauf Patent No. 2, when and if acquired by Singer. For exactly the same reason Gegauf could have had no possible interest in having the power of exclusion of Singer's three patents added to the power of exclusion of the Gegauf patents. Gegauf alone could, with its patents, exclude almost all machines that could be excluded by it, patents and Singer's combined. For instance, the Harris re-issue patent could not stop the importation of one single machine that Gegauf Patent No. 1 alone could not stop. The Harris re-issue patent was wholly subservient to Gegauf Patent No. 1, the Harris re-issue patent claiming word for word the claims of Gegauf Patent No. 1 in conjunction with the other features set forth in the Harris re-issue patent (Stipulation of Facts, Pars. 28, 29; R. 2383-2384; Dx. S-12, R. 2511; Dx. S-13, R. 2518-2519). Thus, infringement of the Harris re-issue patent *per se* infringes Gegauf Patent No. 1. The Johnson and Perla patents could stop only a few multiple cam machines having the ancillary feature of being able to take information from two cams at the same time. These few machines were manufactured by a single manufacturer in Japan. The number of machine

carried multiple cam sewing machines imported into the United States that would have infringed the Harris re-issue, Johnson and Perla patents had they been issued and would not have infringed either Gegauf Patent No. 1 or No. 2 had they been issued is as follows:

1957	1958	1959
0	249	800

(Stipulation of Facts, Pars. 128-129, R. 2425-2426; Dx. S-22-S-23, R. 2582-2583; Dx. S-25-S-30, R. 2585-2590.)

The number of machines that would have infringed the Harris re-issue, Johnson and Perla patents had they been issued that would not have infringed Gegauf Patent No. 1 or No. 2, had they been issued, namely, 0 in 1957, 249 in 1958 and 800 in 1959, would have represented the following portions of the household sewing machine market in the United States:

1957	1958	1959
0.00	0.00015	0.00044

In other words, out of every 10,000 household sewing machines in the United States market during the year 1959, the Singer patents, if issued, would have been able to exclude 4 machines that would not have been excludable by Gegauf Patent No. 1 or Gegauf Patent No. 2.

If a comparison is restricted to multiple cam machines alone, and there is no reason why it should be and the trial court has so found (Op. 81a-82a), the portions would be as follows:

1957	1958	1959
0.00	0.0011	0.0031[5]

[4] The evidence from which and the manner in which these figures are derived are shown in Schedules D and E, Pars. 321-822, to Defendant's Proposed Findings of Fact, R. 5075-5076.

[5] See note 4, *supra*.

In other words, *out of every 10,000 multiple cam sewing machines in the United States market* during the year 1959, the Singer patents, if issued, would have been able to exclude 31 machines that would not have been excludable by Gegauf Patent No. 1 or Gegauf Patent No. 2.

It would seem patently absurd to picture Gegauf as conspiring with Singer to get Gegauf's patents into Singer's hands so that it could get the benefit of the additional restraining power of Singer's patents, in combination with its own, when the additional restraining power, supposed to be such a tremendous inducement to Gegauf, consisted of the power to exclude from the United States no machines in 1957, 249 in 1958 and 800 in 1959. This is all the more so when it is realized that there is no evidence that Gegauf ever heard of the Johnson application or the Perla patent and there is evidence that it had not heard of them (Dx. 31, R. 5235).

(3) Singer's contemplated enforcement of Gegauf Patent No. 1, as its own welfare might dictate, constituted no semblance of agreement, understanding, common undertaking or unity of purpose. Singer's purpose was to exclude, not all machines of a particular type, but was to exclude machines infringing Gegauf Patent No. 1. As stated by the trial court, "Singer's sole interest was to protect its '401' machine against all infringing machines." (Op. 52a)

The Government cites a finding by the trial court that, upon acquisition of the Gegauf applications, "Singer had no intention of licensing others under these patents" (J. S. 9). This is a finding that Singer had no affirmative intention of licensing others. It, however, is not and is not intended to be, a finding that Singer had the affirmative intention of not licensing others.

The best evidence that Singer expected to use Gegauf Patent No. 1 in accordance with its own interests and desires, including the granting of licenses if desirable, is that, without any reference to Gegauf and without his knowledge, Singer did license Sears, Roebuck, receiving therefrom royalties in excess of $190,000 in two years, of which Gegauf received not a penny (Op. 68a-69a). The Government seeks to deprecate this by citing the fact that this was to Singer's interest because Sears was a good customer of one of Singer's subsidiaries and Singer felt constrained to grant such license (J.S. 9, n. 10). That is merely a long way of saying that Singer deemed the license to be to its interest and therefore granted the license.

It is significant that if Gegauf had any right to expect an enforcement of the Gegauf patent for the "mutual" benefit of Gegauf and Singer, this action of Singer in licensing Sears, Roebuck was squarely in the teeth of Singer's obligation and of Gegauf's expectation, in that it seriously impaired, for Singer's benefit alone, the prospect for the successful prosecution of the Tariff Commission proceeding (Op. 68a).

The possibility that Singer might wish to issue licenses and that it might do so is clearly shown by a statement of the President of Singer contained in the Government's Exhibit 57. It is there stated:

> "Accordingly, we should not only endeavor to ascertain who it is that might get a license [in the event that Gegauf insisted on reserving a right to license], but try to get Gegauf to refuse to give these licenses, or if he finds himself unable to do so, then to try to limit the license to a modest number of machines, thus leaving us free to either keep the flow of this type of machine down to the named figure, *or (if we prefer) to negotiate for a*

license fee which would somewhat compensate us for the nuisance value of such machines or for the high price that we paid for the patent." (R. 3573; emphasis supplied)

(4) The ability of Singer "to more effectively" enforce the patent, if in fact such ability existed, as Singer believed that it did, derived solely from the fact that Singer was in the United States with resources, experience and a staff equipping it to enforce a patent, whereas Gegauf was in Switzerland. These are merely personal attributes of the parties involved and in no respect furnish evidence of a conspiracy or common understanding.

(5) In its question the Government assumes a conspiracy relating to Japanese and "other imported sewing machines" and three different times in its Jurisdictional Statement it makes such assumption. On page 15 it states "there can be no doubt" that the arrangement between Singer and Gegauf whereby the respective patents were to be combined in Singer's hands "for the express purpose of excluding Japanese *and other competitors* from the American market" (emphasis supplied), falls within the category of proscribed concerted action. In two other instances the Government refers specifically and directly to an alleged conspiracy or understanding to exclude Japanese "and other importers" or "other competition" (J.S. 18, 19). "Other" machines refer to European machines, as only Japanese and European machines have been or are imported, and it will be noted that throughout the Government's Jurisdictional Statement reference is made only to Japanese and European machines. There is not and cannot be any issue in this case as to a conspiracy between Singer and Gegauf to exclude Japanese

"and other imported sewing machines," and it seems to us shocking that the Government should state to this Court that any such issue exists. Throughout all the proceedings in this case, including the trial and the briefing before the trial court, the theory of the Government has been that Vigorelli, Gegauf and Singer conspired to exclude Japanese multiple cam machines, while Singer alone attempted to monopolize by obtaining patents for the purpose of excluding all foreign multiple cam machines. Government counsel, in response to repeated questions by the trial court, stated that the alleged conspiracy related *solely* to the exclusion of Japanese machines and *that the exclusion of European importations was not part of such conspiracy.* The Government's contention made before this Court, in the face of its repeated declarations to the trial court, is so startling that we doubt that its position before the trial court can be fully appreciated without examining the colloquies. We set them forth in Appendix B hereto, pages 19a to 23a.

For an understanding of the attitude, purpose, intent and motives of Singer in its various actions in this case, the single most important fact is that Singer conceived, invented and developed the multiple cam zigzag mechanism which it embodied in its 401 sewing machine. This fact is not mentioned once in the Government's Statement. Singer completed the design of a completely new household zigzag sewing machine, including the zigzag mechanism incorporated therein, on April 29, 1953 (Op. 14a). This was prior to the introduction of any sewing machine incorporating a multiple cam mechanism into the United States market (Op. 16a). This 401 machine was to be Singer's star machine, the top of its line (Op. 21a). In 1959 it represented 45 per cent of the total dollar volume of Singer's entire household sewing machine busi-

ness in the United States (Op. 21a). Singer spent several years in the development of such machine and by June 1959, Singer had invested $9,000,000 in it, including $4,700,000 for tooling (Op. 14a; Stipulation of Facts, Par. 112, R. 2423). Gegauf Patent No. 1 covered the basic feature, the very heart, of the 401 multiple cam mechanism (Stanford, R. 1263-1265; 401 cam mechanism, Dx. 106 B; Op. 10a).

In Singer's negotiations with Gegauf Singer's refrain was that it wanted to acquire Gegauf's patent because Singer believed it could enforce the patent better than Gegauf could (Op. 53a). On the basis of this simple fact the Government runs the gamut of all possible phrases in attempting to bring the facts under Sections 1 and 2 of the Sherman Act. In turn it attempts to make a case of an "agreement," "conspiracy," "combination," "exclusory combination," "mutuality of interest" and "unity of purpose," its reliance, however, now apparently being placed upon the more ephemeral concepts of mutuality of interest and unity of purpose. The trial court disposed of all of them (Op. 52a, 53a, 54a, 72a-73a, 76a, 78a). It found that other than as set forth in the agreement, no agreement was made or understanding reached by the parties with respect to the licensing, enforcing or use of their patents (Op. 52a, 76a, 78a). Directing itself specifically to the Government's mutuality of interest and unity of purpose arguments, the trial court found:

> "It is most striking that, throughout, their dealings were characterized by an absence of unity or identity of any common purpose or motive. Singer's sole interest was to protect its '401' machine against all infringing machines." (Op. 52a; see also Op. 53a-54a, 72a-73a)

The Government's theory of "communicated unity of purpose" is based almost exclusively upon inferences or

conclusions drawn and expressed by Gegauf. How little there is to the Government's theory can be easily seen when it is realized that all inferences or conclusions that could have been drawn by Gegauf with respect to what Singer, Gegauf's licensee, manufacturing and selling under the license, might or would do upon acquisition of Gegauf's patent, could have been and obviously were drawn from these obvious facts:

(1) Sewing machines manufactured in Japan containing a multiple cam mechanism that infringed Gegauf's patent were being imported into the United States in substantial numbers, a fact well known to Singer, to Gegauf and any and every person acquainted with the sewing machine business.

(2) Singer wanted to acquire such patent from Gegauf and was willing to pay $90,000 for it, facts Singer could not very well avoid disclosing to Gegauf.

(3) Singer wanted the patent because it thought that it could enforce it better than Gegauf, a matter stated to Gegauf as an explanation as to why Singer wanted the patent, and a fact which has moved licensees to buy and licensors to sell patents since patent laws came into effect.

The Government professes that as a matter of law no competing licensor-licensee manufacturers and sellers under a patent could have these bits of knowledge in common and not be conspirators working with "a unity of purpose" when one of them sells to the other. The Government would seal the existence of "mutuality of interests" and "unity of purpose" out of the obvious fact, recognizable by Gegauf or by anyone else, that if Singer sought to purchase a patent it would seem to be a prac-

tical certainty that Singer expected to enforce the patent purchased. The trial court, after examining literally hundreds and hundreds of documents and listening to extended arguments and hearing testimony, knew and found that no conspiracy existed and that it could not be manufactured out of the mere existence and comprehension of knowledge that would be obvious to anyone awake. The trial court fully realized and found that there was no semblance of a conspiracy, agreement, combination, mutuality of interest or unity of purpose or any form of understanding pursuant to which Singer was to do anything with the patent acquired by it other than what Singer might desire to do in its own best interest as owner of the patent once acquired.

The trial court made among others the following findings:

> "With the exception of these specific limitations [set forth in the assignment agreement] on Singer's right to assert the Gegauf patent when issued, no agreement was made or understanding reached by the parties with respect to the licensing, enforcing or use of their patents. These writings were the entire agreement of the parties.
>
> "If one were to describe the attitude of these alleged 'conspirators' throughout, it would have to be in terms of suspicion, wariness and self-preservation. It is most striking that, throughout, their dealings were characterized by an absence of unity or identity of any common purpose or motive. Singer's sole interest was to protect its '401' machine against all infringing machines." (Op. 52a)
>
> "[The agreement] resulted from a fixed determination on each one's part to give and pay for nothing more than was absolutely necessary to secure its respective end and to carry on the protracted negotiations as distantly as possible." (Op. 53a-54a)

> "Here, certainly, was further evidence of the arm's length dealing which had characterized all Singer's dealings with Gegauf." (Op. 72a-73a)

With respect to an attempt by the Government to relate one of the provisions of the Gegauf-Singer license agreement to an alleged conspiracy "to pool patents" in Singer and to establish broad patent monopolies in both conspirators, in order to exclude Japanese competition, the trial court stated:

> "The plain answer to this is that we have found that there was absolutely no agreement or conspiracy." (Op. 76a)

Referring to a restriction on Singer's right to sue Pfaff contained in the Singer-Gegauf assignment agreement, the trial court said:

> "Aside from this there was no other understanding or agreement with respect to licensing or enforcing by infringement action or otherwise, any patent, then owned or subsequently acquired, or with respect to the use in any way of any such patent, alone or in conjunction with any other patent. The written agreement expressed the complete agreement and understanding of the parties and we conclude that it contained nothing illegal." (Op. 78a)

In the light of the facts and the trial court's findings of fact, the Government's first question should be:

> Whether an American company, which (1) conceived, invented and developed a mechanism ultimately covered by claims allowed in a foreign-owned U. S. patent, (2) had a license under such patent and was manufacturing and selling in the United States a machine embodying the specific

> mechanism covered by such patent, and (3) believed that, as a practical matter, it could enforce such patent better than the foreign owner, engaged in a combination or conspiracy in violation of Section 1 or 2 of the Sherman Act, by purchasing that patent for the purpose, comprehended by such foreign owner, of enforcing the patent against infringers in accordance with its own best interests.

Instead the Government seeks to construct a picture at variance in every detail with that which the trial court, on the basis of numerous documents and testimony, found with respect to the attitude, motive, purpose and intent of Singer and Gegauf. Decisions of this Court establish that the Government cannot obtain a review of facts and a reversal of the trial court's findings by inducing this Court to give the facts another construction and draw inferences of fact diametrically opposed to those found by the trial court, resolve all ambiguities differently, and find a sinister cast to actions the trial court found innocent, unless clear error is urged and demonstrated.

In *United States* v. *Real Estate Boards*, 339 U. S. 485, 495-96 (1950), this Court said:

> "It is not enough that we might give the facts another construction, resolve the ambiguities differently, and find a more sinister cast to actions which the District Court apparently deemed innocent [citing cases]. We are not given those choices, because our mandate is not to set aside findings of fact 'unless clearly erroneous.'"

As pointed out by this Court in *United States* v. *Yellow Cab Company, supra*:

> "Findings as to the design, motive and intent with which men act depend peculiarly upon the

> credit given to witnesses by those who see and hear them." (338 U. S. at 341)

The Government's pretending that it is not urging this Court to make a plenary review of the record in this case and to reverse substantially all of the trial court's findings of fact (J.S. 4, 19, 20, 21) is futile, since it is overwhelmingly clear that this is in fact what it is doing. A mere statement that the pertinent facts "are not in dispute" cannot conceal the obvious.

Question 2 is Unsubstantial.

The second question presented by the Government (J.S. 2) as amplified, explained and argued in its Jurisdictional Statement, is predicated upon the existence of an intent by Singer to exclude from the United States *all* multi-cam machines, or at least all multi-cam machines of Japanese manufacture.

In its second question the Government asks whether the "acquisition" and use of "these" patents by Singer, "the only domestic manufacturer of sewing machines," with the intent to exclude "competing machines" constitutes an attempt to monopolize. Here, again, neither the underlying facts nor the facts found by the trial court, or even the Government's own concession, play any part in the factual assumptions.

(1) As presented in the text of the second question, "these patents" must refer to all five Singer patents. Yet the Government has conceded that there was nothing improper in Singer's acquisition of its Johnson, Perla or Harris patents (Op. 3a).

(2) The Government in its question uses the parenthetical phrase—"the only domestic manufacturer of such

sewing machines"—this, of course, without taking any responsibility therefor, creates the aroma of domination probably obtained by predatory means. The use of this phrase without any accompanying explanation is unjustified and misleading. The fact is that the Japanese dominate the United States market. Singer has been able to withstand the assault upon that market by Japanese manufacturers and importers who are controlled in practically all matters by the Japanese Government (Op. 17a-18a; Fairman, R. 1680-1694, 1721; Sogi, R. 1858-1893; Dxs. 176-183, R. 5676-5742; Dx. 191, R. 5755; Gx. 202, R. 5122-5132). Singer's share of the market, however, dropped from approximately 57% in 1947 to approximately 32% in 1959, while the Japanese share of the market in that period grew from none to approximately 60% (Dx. 191, R. 5755; see, also, Op. 17a-18a). During that period every manufacturer of sewing machines in the United States failed to withstand the Japanese competition and folded, save, with one minor exception, Singer alone (Op. 17a-18a).

(3) Singer's intent was not, as stated in the Government's question, "to exclude competing machines". Its intent was to exclude machines *infringing Gegauf Patent No. 1* (Op. 52a, 54a; Def. App. 17a-18a). The trial court found that Singer's "sole" interest was to protect its 401 machine against infringing machines (Op. 52a); that, as a non-exclusive licensee of a foreign-owned patent, Singer in the United States felt at the mercy of infringers and realized the need for independent ownership of the Gegauf Patent No. 1 (Op. 54a); that this was the motive behind the acquisition (Op. 54a); that Singer's insistence upon acquiring the Gegauf divisional application was the need to protect a cross-license agreement entered into with Messerschmitt (Op. 55a); that Singer's motive in acquiring

the divisional application was not only perfectly consonant with good business practices but entirely lawful (Op. 55a); and that the Tariff Commission proceeding was brought by Singer in a bona fide attempt to obtain protection for its 401 machine (Op. 73a). Thus, Singer's affirmative intent was found by the trial court to have been directed at all times to a single objective, namely, the protection of its 401 multiple cam machine by enforcement of Gegauf Patent No. 1.

Without exception, each of the infringement actions brought by Singer and the Tariff Commission proceeding were brought with respect to sewing machines that infringed Gegauf Patent No. 1. Not a machine which did not infringe Gegauf Patent No. 1 was involved in any such action or proceeding (Def. App. 17a-18a). When such machines also infringed the Harris re-issue patent or the Johnson patent, infringement of such patent was incorporated in the complaint. The use of such patent, however, was in conjunction with an attempt by Singer to enforce Gegauf Patent No. 1 (Stipulation of Facts, Par. 84, R. 2412-2413). Except in conjunction with an attempt by Singer to enforce Gegauf Patent No. 1, Singer has not brought any action, commenced any proceeding, or made any attempt to enforce the Harris re-issue patent or the Johnson patent (Stipulation of Facts, Par. 84, R. 2412-2413); and Singer has not at any time brought any action or commenced any proceeding or made any attempt to enforce Gegauf Patent No. 2 or the Perla patent by suit, notice or threat of suit (Stipulation of Facts, Par. 85, R. 2413). Thus, Singer's actions at all times since the issuance of the Gegauf patents have been directed to an attempt to stop the sale in the United States of machines which infringed Gegauf Patent No. 1.

It will be noted that in the Government's charge that Singer sought to exclude "competing machines", no distinction is made between competing machines *that infringe* Gegauf Patent No. 1 and competing machines *that do not infringe* such patent. For example, the Government states:

> "Thus, Singer indisputably acquired *the Gegauf patent*, under which it already had a royalty-free license, with the specific intent to exclude *all competitors* from—and thereby to monopolize—the market for *multi-cam machines*." (J.S. 21; emphasis supplied)

Strangely enough, the "Thus" in the preceding quotation referred *directly and specifically* to the trial court's finding that Singer sought to bar "all *infringing* machines." (Emphasis supplied) In this way the trial court's finding that Singer's intention was directed to "infringing machines" is used by the Government to demonstrate to this Court that Singer's intent was directed to "all competitors."

Persistent use by the Government of Singer's intention to exclude "infringing machines" as the equivalent of an intention to exclude "all competing machines" is of course misleading and results in the furnishing by the Government of a considerable amount of statistical misinformation or misapplied correct information.

In support of its statement that Singer sought to exclude all "competing" machines, the Government states that during the years 1957-1959 more than "90%" of the multiple cam machines imported from Japan would have been excluded by Gegauf Patent No. 1 (J.S. 10). It further states that if the decision below is allowed to

stand, Singer, through the enforcement of its combined patents—"primarily" those acquired from Gegauf—will be able to increase its share of the domestic multiple cam market from approximately 60%, as of 1959, to more than 90% (J.S. 15). These statements do not enlighten. They becloud and conceal the facts.

The facts are that in 1957, the year in which, on December 5, Singer bought the Gegauf patent, there were three manufacturers in Japan which had manufactured multiple cam machines imported into the United States. The entire importations of all such machines from each company were machines that would have infringed Gegauf Patent No. 1. No other multiple cam machine was imported from Japan (Dx. S-25, R. 2585; Dx. S-26, R. 2586). Thus the Government could just as well have said that in 1957 "100%" of the multiple cam machines imported from Japan would have been excluded by Gegauf Patent No. 1. Or the Government equally could have said, "Singer through the enforcement of *its combined patents—primarily those acquired from Gegauf*—would have been able to have excluded 100% of the multiple cam machines imported from Japan in 1957." In either case all it would have said was that in 1957 all machines imported from Japan infringed Gegauf Patent No. 1. The question, then, is whether there is anything wrong with a patent owner being able to exclude 100% of the mechanisms specifically covered by his patent. By-passing the obvious answer to that question and assuming that the United States would be better off if other manufacturers produced non-infringing multiple cam mechanisms, the facts show that that is exactly the development that took place.

In 1958 and 1959 the situation percentagewise was changed considerably, because companies started manufacturing machines with non-infringing multiple cam mechanisms. The result was that machines with mechanisms that infringed Gegauf Patent No. 1, manufactured solely by four Japanese manufacturers, represented 91½% of the multiple cam machines imported into the United States from Japan in 1958, while machines with mechanisms not infringing such patent represented 8½%. Machines with mechanisms that infringed Gegauf Patent No. 1, manufactured solely by four Japanese manufacturers, represented 68% of the multiple cam machines imported into the United States from Japan in 1959, while machines with mechanisms not infringing such patent represented 32% (Dx. S-25, R. 2585; Dx. S-26, R. 2586). In other words, such non-infringing machines had increased from 0 in 1957 to 8½% in 1958 to 32% in 1959, the number of such imports in 1959 being 500% of the number of similar imports in 1958 (Dx. S-25, R. 2585). It thus is easy to see why the Government preferred to use an average figure of 90% for three years (J.S. 10).

These figures demonstrate the fallacy of proclaiming that through ownership of a patent the owner has acquired "90%" or "100%" of the market. That is of importance only if there is some unlawful monopoly or some unlawful restraint on the manufacture of non-infringing devices. Absent that, it is wholly irrelevant and immaterial that 100% of the imports of a particular mechanism would infringe a particular patent every year for the entire life of the patent, the very object of the patent being to give a monopoly of the mechanism covered thereby.

There are "all manner" of multiple cam sewing machines on the market not infringing Gegauf Patent No. 1 "capable of doing the same thing" (Op. 81a; Stipulation of Facts, Pars. 94-97, R. 2417-2418; physical exhibits—Gx. 207, Dx. 112, 112B, 113, 113B, 114, 115). There is no reason why multiple cam mechanisms not infringing Gegauf Patent No. 1 cannot be made to any extent and in numerous forms and variety by Japanese or other manufacturers who wish to make them. It comes down primarily to the simple question of four manufacturers in Japan either not wishing to go to the expense of changing their tooling or frankly preferring to infringe an American patent. It is these four manufacturers of multiple cam mechanisms infringing Gegauf Patent No. 1 that the Government here seeks to protect, not Japanese-American trade.[6]

[6] The Government's suggestion that its questions are substantial because the decision of the trial court will have "a substantial impact" upon "the course of trade" between Japan and the United States (J.S. 15) is untenable because even if there would be such an impact it would not render substantial an unsubstantial question. Furthermore, the statement is not correct. Line I below shows the percentage which the number of multiple cam sewing machines exported from Japan to the United States represented of the total number of household sewing machines exported from Japan to the United States. Line II below shows the percentage which the dollar value of household sewing machines imported into the United States from Japan represented of the total dollar value of merchandise for consumption imported into the United States from Japan.

	1957	1958	1959
I.	3.3%	4.6%	4.6%
II.	2.9%	2.8%	2.4%

From these percentages it is obvious that multiple cam sewing machines are an infinitesimal part of the trade between Japan and the United States. (Dx. S-25, R. 2585; Dx. S-31-S-33, R. 2591-2593; Dx. 174, R. 5674; Cohen, R. 1949-1950; U. S. Dept. of Commerce, United States Imports of Merchandise for Consumption, Report No. FT 120, for Calendar Years 1957, 1958 and 1959.) Multiple cam machines that infringe Gegauf Patent No. 1 would be even less.

The Government protests the trial court's finding that Singer had no specific intent to monopolize, asserting that the trial court "apparently" held that Singer had no specific intent to monopolize because Singer did not try to exclude manufacturers of "every other type" of sewing machine that might compete with the multiple cam machines, citing page 81a of the trial court's opinion (J.S. 22). This, we submit, is an erroneous assumption. The basis of the Government's assertion is that the trial court found, "Singer's refusal to grant licenses to competitors and its attempt to eliminate infringers, leaving as competitors all manner of sewing machines with devices capable of doing the same thing over which Singer had no control, indicates no intent nor attempt to achieve an illegal monopoly" (Op. 82a). It is first to be noted that the trial court made no reference to "every other type" of machine, that being the Government's phrase. In pointing out that Singer was "leaving as competitors all manner of sewing machines with devices capable of doing the same thing over which Singer had no control" the trial court was referring to non-infringing multiple cam machines. The trial court previously had found that Singer's affirmative intent was directed at all times to a single objective, namely the protection of its 401 multiple cam machine by enforcement of Gegauf Patent No. 1. In the statement above quoted, the trial court was negativing Singer's refusal to license and its attempt to eliminate infringers as being an indication of an intent or an attempt to achieve a monopoly. It was saying that in refusing to license "competitors" to manufacture Singer's "multiple cam machines" it was leaving as "competitors" all manner of sewing machines "with devices capable of doing the same thing." The Government would have it that in referring to the *competing* "all manner of sewing machines

with devices capable of doing the same thing," the trial court "apparently" was not referring to non-infringing multiple cam machines but to "every other type" of sewing machine that might compete with multiple cam machines. This has the absurd result of presenting the trial court as not considering non-infringing multiple cam machines as competing with multiple cam machines produced under the Gegauf Patent No. 1.

We point out in this connection that the trial court had before it the Stipulation of Facts (Pars. 94-97, R. 2417-2418), various non-infringing multiple cam machines and testimony of witnesses concerning non-infringing multiple cam mechanisms. The extent of the factual information which the trial court had before it supporting a finding that there were all manner of multiple cam sewing machines with devices capable of doing the same thing as machines produced under Gegauf Patent No. 1, can be appreciated upon an examination of Defendant's Proposed Findings 210-214 (R. 5920-5926) and the various references there given, which are set forth in Appendix C hereto, pages 24a to 31a.

Multiple cam sewing machines, much less multiple cam sewing machines infringing Gegauf Patent No. 1, do not constitute a relevant market subject to monopolization or an attempt to monopolize. The machine referred to as a multiple cam sewing machine is first and foremost a straight stitch sewing machine (Op. 7a; Hutton, R. 1317-1319). It not only primarily is a straight stitch sewing machine but it is used approximately 90% of the time for sewing straight stitches (Op. 6a, 7a; Hutton, R. 1317-1319, 1324-1326, 1328-1329). It is a sewing machine which has incorporated in it a cam mechanism, one of the cams of which causes the needle of the machine to vibrate laterally of the movement of the material being sewn, thus auto-

matically producing a zigzag stitch, varying in design with the configurations upon the particular cam selected. The same design, however, can be produced by exactly the same cam placed in a replaceable cam sewing machine, which, when engaged, operates automatically to exactly the same extent and in the same manner as does the cam in the multiple cam machine (Op. 7a-8a). In neither machine can a cam be selected automatically, in each case selection of the particular cam desired being made by manual means (Op. 8a). Similarly, a straight stitch machine with a zigzag attachment affixed, containing one or more cams, produces zigzag stitches automatically, and a manual zigzag machine produces a plain zigzag automatically, while ornamental stitches may be produced thereon by an operator, the variety and form thereof depending upon the skill of the operator (Op. 7a-8a, 81a-82a; Hutton, R. 1296-1299, 1380-1383, 1452-1454). The trial court heard detailed evidence on the operation of all of those machines, received in evidence materials upon which they sewed and received the designs which they produced, and heard testimony from witnesses fully familiar with and expert in the workings of the market. Having previously found that there was no intent to monopolize multiple cam machines (Op. 52a, 54a, 55a, 73a, 81a), the trial court found as follows:

> "It is, therefore, unnecessary to consider at length Singer's power to achieve a monopoly in the relevant market as bearing on its intent. If it were necessary to our decision, we would find the relevant market to be automatic zigzag sewing machines of four types: machine carried multicam zigzag, replaceable cam, manually operated and the straight stitch sewing machine with zigzag attachment. These four machines, we find, are

> sufficiently unique to constitute a separate market within which these machines are reasonably interchangeable for the use to which they are put. *United States* v. *Du Pont*, 351 U. S. 377, 395, 396." (Op. 81a-82a)

Having found that such four types of machines constituted the relevant market, the trial court further found that within the market the evidence clearly established that Singer did not have the power to achieve a monopoly and that such lack of power further evidenced absence of a specific intent on Singer's part to achieve a monopoly. The trial court found:

> "Within the market as defined the evidence clearly establishes that Singer did not have the power to achieve a monopoly; this lack of power further evidences absence of a specific intent on Singer's part to achieve a monopoly. *U. S.* v. *Columbia Steel, supra.*" (Op. 82a)

Question 3 is Unsubstantial.

The third question presented by the Government (J.S. 2) is whether an agreement between Singer and Gegauf "executed in connection with the above combination"[7] was

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[7] The trial court, pointing out that the Government conceded that it had found no authority in support of its charge of illegality of the agreement referred to, made the following finding:

> "Recognizing the weakness of the charge standing alone, the Government relates this provision to an alleged underlying agreement or alleged conspiracy to 'pool patents' in Singer and to establish 'broad patent monopolies' in both conspirators in order to exclude Japanese competition. *The plain answer to this is that we have found that there was absolutely no agreement or conspiracy.*" (Op. 76a; emphasis supplied.)

The element, embodied in the question, of execution of the agreement "in connection with the above combination", is wholly unsupported by the facts and is contrary to the facts found.

an unreasonable restraint of trade, in that each undertook, "with respect to the patents or pending applications of the other," to refrain from any action which might "restrict the scope of the other's claims" and to facilitate the granting of claims "of the broadest possible scope."

This question, of course, refers to the agreements contained in the two separate sentences composing clause 1 of the Singer-Gegauf cross-license agreement. That clause reads as follows:

> "1) SINGER and GEGAUF each undertakes not to do anything, either directly or indirectly and in any country, the result of which might restrict the scope of the claims of the other party relating to the subject matter of the above mentioned patents and patent applications.
>
> "SINGER and GEGAUF each undertakes, in accordance with the laws and regulations of the Patent Office concerned, to facilitate the allowance in any country of claims as broad as possible, as regards the subject matter of the patents and patent applications referred to above." (Def. App. 33a, Gx. 26, R. 3510)

The Government's third question again makes factual assumptions which are squarely contrary to the facts that exist and the facts found by the trial court. As shown in footnote 7 on page 30, *supra*, the trial court found that the agreement was not executed in connection with a combination or conspiracy as none existed. The agreement was not with respect to "the patents or pending patent applications of the other." It was with reference to specifically identified patents and patent applications set forth in the preambles of the agreement (Op. 36a), *i.e.*, the United States Harris patent and re-issue application and corresponding foreign patents and patent appli-

cations and the United States Gegauf application and corresponding foreign patents and patent applications (Def. App. 32a-33a, Gx. 26, R. 3509). The agreement not to take action which might restrict the scope of the claims of the other, related only to steps in proceedings in foreign countries having invalidation, opposition and nullity proceedings (Op. 36a). The agreement to facilitate the granting of claims referred to proceedings in countries, including the United States, having interference or priority determining proceedings (Op. 37a; Stanford, R. 1108) and there the claims to be facilitated were not claims of "the broadest possible scope," as stated in the question, but were claims to be facilitated as broad as possible "in accordance with the laws and regulations of the Patent Office concerned" (Op. 37a).

Throughout the trial the Government contended that under the United States antitrust laws, the agreement contained in *the first sentence* above quoted was illegal *per se*. The Government specifically advised the trial court that the agreement not to do anything which might restrict the scope of the claims of the other party was the "only" phase of the cross-license agreement which the Government contended was unlawful (Plaintiff's Memorandum Relative to Defendant's Proposed Findings, R. 6195-6196). It reiterated this position in its Post Trial Brief (R. 6423) and the trial court clearly understood that such was the Government's contention (Op. 75a).

The trial court found that the first sentence was interpreted and intended by Singer and Gegauf to mean that neither would file opposition, *i.e.*, nullity and invalidation, proceedings against the other's applications in foreign countries where such special proceedings were known (Op. 36a), in other words, that it applied to foreign coun-

tries having such proceedings and not to the United States or any other country not having such proceedings.

The Government, by footnote, now challenges this finding of fact (J.S. 24, n. 20). At this point, before proceeding any further, we wish to point out that the Government's presentation of the foregoing clause 1 on pages 6 and 7 of its Jurisdictional Statement is inaccurate and grossly misleading. There the format of the preambles of the license agreement is materially altered from the format in which they appear in the agreement (Def. App. 32a-33a, Gx. 26, R. 3509-3510). This change in format is made (1) by setting forth *a portion* of the next to the last preamble of the agreement, which specifically refers to the prospective opening of interference proceedings in pending Singer and Gegauf United States applications,[8] (2) by omitting an entire page of preceding preambles containing recitals of the specific patents and patent applications covered by the agreement, and (3) by reparagraphing so that a sentence in the final preamble, which commences *a new paragraph*, appears in the Jurisdictional Statement *as part of the preceding paragraph*.[9] The omitted preambles, in addition to the Gegauf and Singer United States applications, list eight different patents and five different patent applications in *nine* different foreign countries. These are preambles of the agreement the same as is the single quoted preamble appearing on page 6 of the Jurisdictional Statement. The finishing touch is the reparagraphing. In the

[8] The portions omitted, indicated by asterisks, would show, if set forth, that various patents and patent applications had been listed previously.

[9] The Singer-Gegauf license agreement with all of its preambles and properly paragraphed as in the original is set forth in Appendix D hereto, pages 32a to 35a.

license agreement the words "In view of the foregoing" commence a new paragraph and refer to *all* preceding preambles. As set forth on page 6 of the Jurisdictional Statement they *do not*, as by the reparagraphing they are made to refer only to the specific patent applications referred to in the paragraph of which they are made a part, *i.e.*, the United States Harris re-issue and Gegauf applications. This alteration of the format of the agreement, if relied upon, would completely eliminate any possibility that the "In view of the foregoing" paragraph referred to all of the listed foreign patents and patent applications, as well as to the Gegauf and Singer applications in the United States. The result would be that one would find it difficult to understand how the first sentence of clause 1 could be construed other than as applying to the United States, as urged by the Government. Such omissions and alteration however occurring, and, to date, not corrected, may give the Government a temporary first impression advantage. They certainly do not provide enlightment to this Court as to the facts in the case.

Peculiarly, the Government's attack on the trial court's finding that the first sentence applies to foreign countries and not to the United States is set forth in, and only in the above mentioned footnote (J.S. 24, n. 20). It there supports its challenge by two assertions in a single sentence: (1) that the finding conflicts with "the plain words" in the agreement, and (2) that it conflicts with "documents written by employees of Singer interpreting the agreement," which it neither specifies nor cites. Upon that bare statement the Government seeks a review by this Court of the trial court's finding and necessarily of all of the underlying facts that bear upon the question and a

determination contrary to the trial court's finding. What the Government contends with respect to the underlying facts is not specified, except that it does volunteer that a contemporaneous writing by Singer's negotiator of the agreement and testimony of such negotiator support the finding (J.S. 11, n. 13).

The Government argues that the first sentence must be construed as applying to the United States since otherwise the words "in any country" would have been used to specify specific countries in one sentence whereas the same words would be used to specify the United States in the second sentence (J.S. 11). The argument is unsound. The words "in any country" in the first sentence are obviously intended to apply to any and all countries, not any specific country, to which the sentence is applicable and the sentence was intended to be applicable to countries having invalidation, opposition and nullity proceedings. Similarly, the words "in any country" in the second sentence apply to any and all countries to which the second sentence is applicable, and the sentence was intended to be applicable to countries having interference proceedings.

The evidence is clear that in fact the first sentence was intended to have reference to and be applicable to those foreign countries which had invalidation, opposition and nullity proceedings in which one may restrict the scope of claims of others (Dx. 31; Stanford, R. 1106-1112; Gx. 38, R. 3534-3535; Gx. 39, R. 3536-3537; Gx. 41, R. 3539-3540). The trial court has found that it was so intended, stating, "Although the language is quite broad, this provision was interpreted and intended by Singer and Gegauf to mean that neither would file opposition, *i.e.*, nullity and invalidation proceedings against the other's applications in foreign countries where such special proceedings were known." (Op. 36a)

The agreement in the first sentence "not to do anything, • • • in any country," followed by the phrase "the result of which might *restrict the scope* of the claims of the other party • • •"[2] (emphasis supplied) is without question *susceptible* to the construction that it refers to not doing anything in any country which has available the kind or type of proceeding in which one may "restrict the scope" of claims of others, and accordingly as being intended to be applicable to such countries. It is a well-established principle of law, stated and cited frequently, that where two constructions of a written contract are possible, preference will be given to that which does not result in violation of the law. *Great Northern Railway Company* v. *Delmar Company*, 283 U. S. 686 (1931); 3 Corbin, *Contracts*, §546 (1960); 4 Williston, *Contracts*, §620 (3d ed. 1961); 17 C.J.S. *Contracts*, §318 (1939).

Not only is the first sentence of clause 1 *susceptible* to the construction that it refers to any country in which one has available special proceedings to "restrict the scope" of claims, it in fact could not be read as being applicable to countries in which there are interference proceedings and not thereby render contradictory the two provisions of that clause. It is quite impossible for one party to obtain the allowance of a claim in an interference, even on the basis of priority alone, without thereby restricting the scope of the pending claim of the other party relating to the same subject matter. The presentation, in an interference proceeding conducted under the second sentence, of a claim of earlier priority would be contrary to the agreement contained in the first sentence not to take any action which would restrict the scope of the claim of the other. The result would be that the provision designed to permit one to obtain expeditiously

claims "as broad as possible" in accordance with the laws of the Patent Office concerned would, if carried out, render nugatory the contrary obligations contained in the first sentence not to restrict the claims of the other party. Thus, "the plain words" of the first sentence are not so clear and unequivocal as the Government would have this Court believe. No such problem arises and otherwise clearly contradictory provisions are easily reconciled, when the simple fact is recognized that the first sentence applies to one type of proceeding and the second sentence to an entirely different type of proceeding.

To appraise the extent to which the first sentence and the second sentence have entirely different functions, one must consider the procedures and practices in foreign countries which provide for invalidation, opposition and nullity proceedings. In some foreign countries claims contained in patents are of no significance in establishing the scope of the invention and are not even resorted to for the purpose of determining what the invention is, the validity and scope of the invention being determined by the disclosures, not by the claims. In such countries the patent application is of slight importance, the remedy of each individual affected by any patent issued thereon being an invalidation or nullity proceeding in which the scope of the patent, as it affects such individual, may be determined. These and other aspects of the laws of Italy, France, Germany, Brazil and Great Britain are covered by the stipulation of the parties, dated May 5, 1961 (Court's Exhibit 4, R. 5768-5577).

Among the numerous facts relevant to the trial court's finding that the provisions of the first sentence of clause 1 related to proceedings in foreign countries having invalidation, opposition and nullity proceedings, and that the

second sentence related to proceedings in the United States and other countries having interference proceedings are the following:

1. The provisions of the Singer-Vigorelli and Singer-Messerschmitt license agreements dealing with the same subject matter by their terms related to the two different types of proceedings, one provision applying to invalidation, opposition and nullity proceedings and the other provision applying to proceedings in countries providing interference proceedings (Gx. 11, R. 3466-3469; Gx. 86, R. 3652-3653; Stanford, R. 1079-1081; Def. App. 37a, Dx. 133 id., R. 5547, submitted and received as an aid to the trial court, R. 921-924).

2. A comparison of the relevant provisions of the three license agreements clearly demonstrates that the same result was intended. A chart setting forth for such comparison the relevant provisions of the three license agreements (which was submitted and received as an aid to the trial court (R. 921-924)), is set forth as Appendix E hereto, page 37a (Dx. 133, id., R. 5547).

3. The Singer-Gegauf license agreement related not only to the United States applications but to patents and applications in foreign countries having invalidation, opposition and nullity proceedings, in which a petitioning party may restrict the scope of the claims of a patent (Def. App. 32a-33a, Gx. 26, R. 3509; Dx. 31, R. 532-533; Stanford, R. 1106).

4. Under the agreement each party licensed the other under patents and/or patent applications in such foreign countries, there thus being available to the licensee procedures to restrict the scope of the patent licensed and

reasons for the licensor to require that they not be used by the licensee to attack such patent (Def. App. 32a-34a, Gx. 26, R. 3509-3511).

5. The second sentence of clause 1 provides only for the facilitation of the allowance of claims, a provision which could have no application in countries which provide only invalidation, opposition and nullity proceedings, and thus could have application only in countries having procedures of the nature of interference proceedings.

6. The license agreement was so construed in a contemporaneous memorandum, written for Singer personnel (Dx. 31, R. 5231-5237), not for the "files" as asserted by the Government (J.S. 11, n. 13; J.S. 24, n. 20).

7. Singer wrote Gegauf with reference to the interference proceeding: "Our agreement provides that this interference is to be settled in accordance with the patent laws of the United States," thus confirming that it was the agreement contained in the second sentence of clause 1 that covered the conduct of the interference proceeding in the United States. Not the slightest suggestion was made or indication given that the interference proceeding was covered by any other agreement (Gx. 38, R. 3534-3535; Gx. 39, R. 3536-3537; Gx. 41, R. 3539-3540).

8. A reliable and responsible witness who negotiated the agreement testified that such was the intention and interpretation of clause 1 (Stanford, R. 1106-1112).

The Government argues that Singer sought an agreement under which it could obtain patents with claims "as broad as possible" or with claims having the "broadest possible scope." It is hard to determine whether in doing so (1) it is attacking the validity of the second sentence of

clause 1, from which the words "as broad as possible" are taken, notwithstanding its assertions to the trial court that the "only" phase of any provision of any of the agreements that it claimed to be illegal was the agreement not to do anything to restrict the scope of the claims of the other (Plaintiff's Memorandum Relative to Defendant's Proposed Findings, R. 6195-6196; Plaintiff's Post Trial Brief, R. 6423), or (2) it is contending that Singer sought patents with claims "as broad as possible" and that it follows that Singer, of course, intended that the provisions of clause 1 would apply in the United States in order to help it in its allegedly illegal schemes. In any event, the phrases "as broad as possible" and "the broadest possible scope," set forth repeatedly by the Government, obviously are intended, without specifically saying so, to carry with them the implication that they encompass claims beyond those commensurate with the prior art and the applicable law. The Government, however, has never specifically set forth any meaning or interpretation to be attributed to the words "the broadest possible scope" or to the words actually used in the agreement, "as broad as possible." The reason for this may be that the moment one ceases to rely alone upon the sound and fury of the words and resorts to analysis as to their meaning, it is made apparent that there is not necessarily anything illegal or improper in seeking to acquire a patent with claims as broad as possible. An agreement, for example, to facilitate the allowance of claims as broad as possible, if meaning "as broad as possible commensurate with the prior art and the applicable law," would not be illegal in any way, much less *per se*. It necessarily follows that to challenge the legality of an agreement to expedite the allowance of

claims as broad as possible the words "as broad as possible" must be construed to mean without regard to the prior art and without regard to the applicable law and must be deemed to call for cooperative action to that end, without regard for truth, whether or not involving fraud, concealment, failure to disclose or other similar conduct. If this is not the Government's contention, the answer to a question as to whether parties can agree to expedite the obtaining of claims "as broad as possible" is an obvious yes, and the question has no legal significance. In the face of the record in this case and the findings of the trial court with respect to the motives and intent of the parties, it would be ludicrous to contend that Singer desired or endeavored to get an agreement under which it could obtain claims beyond that commensurate with the prior art and the applicable law by resort to fraud, concealment, failure to disclose or otherwise. The Government has never made any contention that Singer did so desire or so endeavor and it carefully refrains from doing so in its Jurisdictional Statement. The trial court found that Singer did not (Op. 75a).

Among the numerous facts relevant to the trial court's finding that there was no intent to obtain broad patent protection regardless of validity (Op. 75a) are the following:

1. There is not a single element of the various elements composing the second sentence of clause 1 that is not modified by the phrase "in accordance with the laws and regulations of the Patent Office concerned." Every action required to be taken under that sentence is qualified by the mandate that it shall be in accordance with the laws and regulations of the Patent Office concerned (Def. App. 33a, Gx. 26, R. 3510).

2. The agreement was made not in a vacuum but with reference to claims covering the specific subject matter embodied in specific applications (Def. App. 32a-33a, Gx. 26, R. 3509-3510).

3. There existed and was clearly evidenced a resolute determination that the priority proceedings should be conducted in accordance with the laws of the United States in such manner as would result in a valid patent, the desirability and necessity of which was expressed in writing (Gx. 38, R. 3534-3535; Gx. 39, R. 3536-3537; Gx. 41, R. 3539-3540).

4. The claims of the patent are valid and are conceded by the Government to be valid (Op. 76a; Stipulation of Facts, Par. 93, R. 2416).

5. Singer purchased the patent for the purpose and with the expectation of enforcing it against infringers, which it was well known would include Japanese manufacturers and importers (Op. 52a-53a).

6. Singer promptly placed the validity of the patent squarely in issue by bringing an action against the largest distributor of Japanese sewing machines, the sole representative of one of the largest sewing machine manufacturers in Japan (Op. 74a; Stipulation of Facts, Par. 98, R. 2419).

No attempt is made by the Goverment to demonstrate or evaluate the effect of a determination by this Court, in favor of the Government, of the third question it presents. The license agreement, apart from the challenged clause 1, restricts and restrains nothing. Even assuming *arguendo* that the agreement contained in the first sentence of clause 1 was applicable to the United States, it was

applicable there solely to the then impending interference proceeding, involving a single claim covering the common subject matter of the Singer and Gegauf applications (Gx. 176, R. 4199-4216). It can become applicable to no other. The trial court found that no acts were done pursuant to it (Op. 75a-76a). Taking no action pursuant to a particular agreement obviously would be a natural result of there being no belief or understanding that such agreement applied to interference proceedings in the United States. Precautions were taken to make certain that the interference proceeding was conducted in accordance with the laws and regulations and that a valid patent issued (Gx. 38, R. 3534-3535; Gx. 39, R. 3536-3537; Gx. 41, R. 3539-3540). The claim set up in interference by the Examiner was issued in Gegauf Patent No. 1 in the precise form in which it was so set up (Stipulation of Facts, Par. 28, R. 2383) and the Government concedes the validity of such claim (Op. 76a; Stipulation of Facts, Par. 93, R. 2416). If the first sentence of clause 1 should be construed as applying to the United States it would result solely from the failure of a draftsman, who took a draft prepared by another (Stanford, R. 1103-1105), and attempted and intended to make out of it, with as few changes as possible, a valid agreement, "similar" to the agreement with Vigorelli (Stanford, R. 1103-1112; Dx. 31, R. 5232-5233; Gx. 11, R. 3466-3469; Stanford, R. 1079-1081; Op. 32a-33a).

The Government neither suggests the nature of any injury that was done or the remedy, if any, that should be applied thereto. It is hard to conceive of a question that has a combination of so little substance and so little importance insofar as the development of the antitrust laws and maintenance of competition are concerned as the Government's third question properly related to the facts in this

case. This is the more so, when to reach such question the facts of the case must be reviewed by this Court and this Court must reverse the finding of the trial court that the agreement not to do anything to restrict the scope of the claims was intended by the parties to apply only to foreign countries having invalidation, opposition and nullity proceedings and not to countries, such as the United States, having interference proceedings.

Conclusion

We respectfully submit that the Government does not present a single substantial question and that the judgment of the United States District Court for the Southern District of New York should be, in all respects, affirmed.

Respectfully submitted,

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